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Gibbons Subcommittee Rejects Domestic Content Bill

On September 15, the House Ways and Means Trade Subcommittee, by a 10-3 vote, passed a resolution disapproving H.R. 1234, the domestic content legislation. This resolution, in effect, recommended to the full Ways and Means Committee that the bill be reported unfavorably, which it did on September 20. The full committee's rejection of H.R. 1234 does not necessarily impede the bill's progress to the House floor. Ways and Means was granted only a sequential referral of H.R. 1234, which stipulated that action on the measure be completed by September 27, while House Energy and Commerce enjoys primary jurisdiction. The latter's action on the domestic content bill on June 21 therefore overrides a negative report from Ways and Means, so the bill could still be considered by the full House provided it is granted a rule. Informed sources also point out that the House leadership is committed to considering the bill. Yet the fact remains

A similar mission will visit the United Kingdom, West Germany, France, Belgium and Sweden from November 13 to November 25. At the same time, the government is working on a comprehensive economic package designed to reduce the trade imbalance — including measures to stimulate domestic demand and further open up the Japanese market.

Yoshio Nakamura

Diet Opens Fall Session with Economic Policy Debate

Outlining his legislative plans before the 100th session of the Diet, Prime Minister Nakasone pressed for a series of measures to tighten government spending and restore fiscal balance. To achieve these goals he supported seven bills that the Cabinet intends to submit in the near future that will, he said, spearhead a broad effort to rationalize expenditures, including one to establish a General Affairs Agency by integrating the existing Prime Minister's Office and the Administrative Management Agency. The adjustment will be aided, he promised, when the government submits bills to reform the Nippon Telegraph and Telephone Public Corp. and the Tobacco and Salt Monopoly Corp. in the next session of the Diet. Although the government has abandoned the goal of balancing the budget by 1985, its dependence on deficit-covering public bonds will cease by FY 1990.

Over the past year, the government has been trying to stress economic management, and pinned its hopes on a new eight-year economic program approved by the Cabinet last month. Despite some bright spots, the prime minister observed that weak domestic demand and yen/dollar exchange rates produced a dilemma for economic policy makers attempting to reconcile domestic demand and external relations.

The government avoided a confrontation with the opposition parties, who refused to attend the opening session in an attempt to force Mr. Nakasone to change course on the scheduled income-tax cuts. The prime minister's prepared speech, distributed before its delivery, merely said that he would follow the recommendations of the Advisory Tax Council. Before the speech was actually presented, however, the opposition parties were offered a written pledge by the Liberal Democratic Party (LDP) that the government would submit legislation calling for an income-tax cut in late October. The size of the cut, the LDP promised, would be substantial enough to buoy the economy and implementation would take effect within the year.

In response to questioning in the Diet, Mr. Nakasone admitted that so far the government has not found financial sources to make up for the tax cut, but said that it will not issue more public bonds and does not intend to seek a large-scale indirect tax. The question of compensating for the revenue loss is apparently in the hands of the Advisory Tax Council, which is scheduled to submit a recommendation on October 20 proposing the amount and indicating alternate revenue sources for the tax cut.

Yoshio Nakamura

Japan's GNP Growth Up Modestly in Second Quarter

Two weeks behind the normal announcement date, Japan's Economic Planning Agency (EPA) released preliminary second-quarter GNP figures and revised data for the first quarter. Growth during the April-June quarter was measured at an annualized rate of 3.6 percent, the best performance since the 3.8-percent rate in the third quarter of 1982. The first-quarter revisions left the growth picture for fiscal 1982 (April 1982-March 1983) basically unchanged.

Japan's Real Gross National Product at Constant Prices (1975 Prices)

(in billions of yen, seasonally adjusted, quarterly totals and rates of growth at annual rates)

	<u>FY 1981</u>	<u>FY 1982</u>	<u>July- September 1982</u>	<u>October- December 1982</u>	<u>January- March 1983</u>	<u>April- June 1983(p)</u>
Gross National Product	¥198,068.2 (3.3%)	¥204,603.5 (3.3%)	¥204,511.6 (3.8%)	¥205,333.9 (1.6%)	¥205,794.8 (0.9%)	¥207,633.9 (3.6%)
Personal Consumption Spending	103,090.5 (1.1%)	107,954.6 (4.7%)	107,118.8 (1.7%)	108,613.6 (5.7%)	109,308.8 (2.6%)	109,685.6 (1.4%)
Private Residential Construction	10,653.2 (-2.0%)	10,831.0 (1.7%)	10,514.1 (2.4%)	11,324.7 (34.0%)	11,203.1 (-4.2%)	9,673.8 (-44.4%)
Private Fixed Nonresidential Investment	34,130.3 (4.4%)	34,537.6 (1.2%)	34,725.1 (2.6%)	34,611.1 (-1.3%)	34,289.8 (-3.7%)	34,648.0 (4.2%)
Change in Business Inventories	1,416.7 (-23.1%)	949.3 (-33.0%)	1,143.6 (*)	1,034.0 (*)	171.2 (*)	644.5 (*)
Government Current Expenditures	18,839.4 (3.9%)	19,621.0 (4.1%)	19,509.1 (3.1%)	19,595.3 (1.8%)	20,011.1 (8.8%)	20,071.3 (1.2%)
Government Fixed Investment	18,581.9 (2.9%)	18,889.7 (1.7%)	19,793.6 (24.0%)	18,917.7 (-16.6%)	17,922.2 (-19.4%)	18,848.8 (22.3%)
Change in Government Inventories	-272.3 (15.0%)	-313.8 (15.2%)	-264.7 (*)	-865.5 (*)	-145.9 (*)	-108.8 (*)
Net External Sector	11,628.5 (38.6%)	12,134.1 (4.3%)	11,972.0 (21.1%)	12,103.0 (94.4%)	13,034.5 (34.5%)	14,150.7 (38.9%)
Exports of Goods and Services and Factor Income Received	40,001.2 (15.3%)	40,147.3 (04.%)	41,146.2 (10.6%)	39,757.5 (-12.8%)	39,631.7 (-1.3%)	40,798.5 (12.3%)
Imports of Goods and Services and Factor Income Paid	28,372.7 (7.8%)	28,013.2 (-1.3%)	29,174.2 (6.7%)	27,654.5 (-19.3%)	26,597.2 (-14.4%)	26,647.8 (0.8%)

*Cannot be calculated or meaningless.

Source: Economic Planning Agency

The picture that emerges (see accompanying table) largely confirms the analysis of the economy discussed in the "A" section of this week's JEI Report, written prior to the release of the new data. Growth came mainly as the result of a 38.9-percent annualized growth rate in the net external sector (due to return of growth in exports while imports held steady), government fixed investment (the result of loading a disproportionate share of spending into the first half of the current fiscal year) and private nonresidential fixed investment (reversing a drop in the first quarter). However, the long hoped-for revival in consumer spending failed to materialize, with annualized growth in that sector dropping to only 1.4 percent. Housing investment also continued its dismal performance, dropping at a severe annualized rate of 44.4 percent.

Worries over the health of the economy will continue in Japan as this information is absorbed. The government wants a recovery in the economic growth rate fueled by domestic demand — not by exports. However, private-sector activity is still failing to recover, as indicated by the poor performance of personal consumption and housing. Even business investment is unclear, since second-quarter growth did no more than regain ground lost in the first quarter. So despite the hopes of the government, the recovery in exports really provided the stimulus for the quarter. The stimulative effect of government spending will fizzle in the fall unless a supplementary budget passes, and the above economic data will be used to argue for and against added fiscal stimulus.

Edward Lincoln

Employment Picture in Japan Shows Ray of Hope

The employment picture for next spring's college graduates indicates a strong demand for science and engineering majors and a weak job market for graduates with high school or junior-college degrees. According to Nihon Keizai Shimbun's survey of 1,800 companies, about 9 percent more college graduates will be hired next year, but there will be a 12-percent cut in the number of high school graduates recruited. Two-year college and professional school graduates will find the market unchanged. Women with college degrees will be more sought after than previously as a number of companies in the high-technology sector plan to continue recruiting women.

Japanese industry characteristically recruits its permanent employees directly from school and the competition for graduates from top universities is fierce. Under prodding by the Ministry of Education, major companies did agree that they would not interview applicants until after October 1. Nevertheless, students are in the market vigorously collecting information on starting salaries, working conditions and promotion prospects long before the specified date.

While there will be a tighter market for jobs in manufacturing, opportunities in service industries continue to increase, particularly for women who work part-time. There will be more openings in this sector at all levels — clerical, technical and managerial. Industries planning to hire the highest numbers of school graduates include electronics manufacturers, retail stores, and financial institutions. Unemployment, which is low in Japan compared with other countries, registered 2.5 percent in July, which the Ministry of Labor attributes to improving economic growth. Because of differences in the measurement of unemployment and in labor practices, Japan's unemployment rates cannot be compared directly to the United States.

In the first three months of this year, unemployment rose to 3 percent, but after April, the rate began to fall. Government employment agencies said the effective openings-to-applications ratio has continued to decline, and this year remains steady at